

MARRIOTT'S KAUAI BEACH CLUB OWNERS ASSOCIATION ("VOA")

2017 Estimated Assessment Budget

12,000 OWNERSHIP SHARES IN 232 UNITS

FOR THE PERIOD BEGINNING JANUARY 1, 2017 AND ENDING DECEMBER 31, 2017

	2017 APPROVED BUDGET TOTAL	2017 BUDGET BY VILLA TYPE	
		1 BEDROOM 9,828 (PER OWNERSHIP SHARE)	2 BEDROOM 2,172 (PER OWNERSHIP SHARE)
	\$		

REVENUE			
Maintenance Fees	20,565,213	1,683.30	1,851.63
Late Fees & Finance Charges	177,149	14.50	15.95
Total VOA Revenue	20,742,362	1,697.80	1,867.58
Association Of Apartment Owners Of Marriott's Kauai Resort and Beach Club ("AOAO") Assessment*	(7,999,823)	(654.80)	(720.28)
Total Maintenance Fee Revenue	12,742,539	1,043.00	1,147.30

EXPENSES			
Accounting	266,335	21.80	23.98
Administration	853,982	69.90	76.89
Annual Audit	15,882	1.30	1.43
Bad Debt	51,312	4.20	4.62
Billing & Collections	114,842	9.40	10.34
Board of Directors	24,751	2.03	2.23
Cable Television	117,285	9.60	10.56
Contingency	-	-	-
Credit Card Fees	211,358	17.30	19.03
Front Desk	1,661,539	136.00	149.60
General Excise Tax	537,557	44.00	48.40
Housekeeping ³	2,656,019	217.40	239.14
Income Tax	6,109	0.50	0.55
Insurance	14,661	1.20	1.32
Legal	6,109	0.50	0.55
Loss Prevention	86,742	7.10	7.81
Maintenance	1,138,643	93.20	102.52
Management Fees	916,290	75.00	82.50
Owner Services ²	493,575	40.40	44.44
Postage & Printing	40,000	3.27	3.60
Property Taxes	1,948,643	159.50	175.45
Operating Fee	11,161,634	913.60	1,004.96

Deficit Recovery/(Surplus Return)	(599,865)	(49.10)	(54.01)
Total Net Operating	10,561,769	864.50	950.95

Reserve Fee ¹	2,180,770	178.50	196.35
Operating & Reserve Fee	12,742,539	1,043.00	1,147.30

Association Of Apartment Owners Of Marriott's Kauai Resort and Beach Club ("AOAO") Assessment*	7,999,823	654.80	720.28
Total Expenses	20,742,362	1,697.80	1,867.58

Total Maintenance Fee	20,565,213	1,683.30	1,851.63
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Capitalized terms not defined in this budget have the meaning given to them in the Marriott's Kauai Beach Club Vacation Ownership Program Declaration of Covenants, Conditions and Restrictions ("the Vacation Ownership Program Declaration").

* These are assessments the Association is collecting on behalf of, as and accommodation to, the AOAO.

Owners of Every Other Year Ownership Shares shall pay 50% of the Total Maintenance Fees payable by Owners of Every Year Ownership Shares, which shall be \$841.65 for a One Bedroom Ownership Share and \$925.82 for a Two Bedroom Ownership Share.

ASSOCIATION OF APARTMENT OWNERS OF MARRIOTT'S KAUAI RESORT AND BEACH CLUB

2017 Estimated Assessment Budget

FOR THE PERIOD BEGINNING JANUARY 1, 2017 AND ENDING DECEMBER 31, 2017

	2017 Approved Budget Total	Timeshare Apartments Annual Total	Hotel Room Apartments Annual Total	MKORI Commercial Apartments Annual Total	MORI Commercial Apartments Annual Total
	\$				
Revenue					
Maintenance Fees	18,448,665	7,999,823	10,161,417	44,263	243,162
Miscellaneous Income	56,532	26,474	28,814	190	1,054
Total Maintenance Fee Revenue	18,505,197	8,026,297	10,190,231	44,453	244,216
Expenses					
Accounting - Common Element	50,700	23,743	25,842	170	945
Business Licenses & Fees - Common Element	10,900	5,104	5,556	37	203
Bad Debt	25,000	25,000	-	-	-
Contingency	-	-	-	-	-
Credit Card Fees	127,654	127,654	-	-	-
Electricity - Limited Common Element	3,123,245	868,612	2,163,893	13,829	76,911
Electricity - Common Element	462,957	216,803	235,969	1,552	8,633
Electricity - Rice Parcel ²	131,054	45,584	84,881	89	500
Equipment Leases & Misc - Common Element	113,378	53,095	57,789	380	2,114
Gas/ Diesel - Limited Common Element	482,763	-	482,763	-	-
Gas/ Diesel - Common Element	84,868	39,873	43,122	285	1,588
General & Administration - Limited Common Element	794,978	239,725	544,358	1,661	9,234
General & Administration - Common Element	16,277	7,623	8,296	54	304
General & Administration - Rice Parcel ²	2,608	894	1,702	2	10
Housekeeping - Limited Common Element	1,366,812	19,479	1,347,333	-	-
Income Taxes	20,448	9,576	10,422	69	381
Insurance - Common Element	1,365,133	639,291	695,809	4,577	25,456
Legal - Common Element	6,000	2,810	3,058	20	112
Management Fees	1,125,975	345,802	762,630	2,702	14,841
Maintenance - Limited Common Element	3,311,647	998,177	2,268,107	6,913	38,450
Maintenance - Common Element	68,063	31,873	34,693	228	1,269
Maintenance - Rice Parcel ²	23,382	8,598	14,673	17	94
Permits, Airport Road - Common Element	45,315	21,221	23,097	152	845
Recreation - Limited Common Element	936,102	-	936,102	-	-
Rice Parcel Land Lease ²	305,258	106,169	197,716	209	1,164
Water & Sewer - Limited Common Element	2,373,953	716,079	1,625,331	4,960	27,583
Water & Sewer - Common Element	264,010	123,636	134,566	885	4,923
Water & Sewer - Rice Parcel ²	2,138	458	1,674	1	5
Irrevocable Facilities License Agreement	-	2,333,989	(2,333,989)	-	-
Operating Fee	16,640,618	7,010,868	9,375,393	38,792	215,565
Deficit Recovery/(Surplus Return)	(750,000)	(351,225)	(382,275)	(2,515)	(13,985)
Net Operating Fee	15,890,618	6,659,643	8,993,118	36,277	201,580
Reserve Fees - Limited Common Element ¹	1,914,579	1,038,844	840,323	5,829	29,583
Reserve Fees - Common Element ¹	700,000	327,810	356,790	2,347	13,053
Operating and Reserve Fee	18,505,197	8,026,297	10,190,231	44,453	244,216

Capitalized terms not defined in this budget have the meaning given to them in the Declaration of Condominium Property Regime of Marriott's Kauai Resort & Beach Club.

MARRIOTT'S KAUAI BEACH CLUB OWNERS ASSOCIATION ("VOA")
2017 Estimated Operating Budget Notes
12,000 OWNERSHIP SHARES IN 232 UNITS
For The Period Beginning January 01, 2017 And Ending December 31, 2017

Notes to the 2017 Estimated Operating Budget

This budget has been prepared on an accrual basis.

The budget has been prepared based on 12,000 Ownership Interests. 12,064 Ownership Interests exist in the 232 Units submitted for registration in the Program, however, the Developer has conveyed 64 Ownership Interests to the Association for use as Major Service Periods each year.

1) Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components, which the Association is obligated to maintain.

The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 01, 2017	Contribution For 2017	% Of Fund Balance Over Replacement Costs	Age In Years As Of January 01, 2017
Furniture and Fixtures	17	\$23,588,231	8	\$7,820,619	\$2,180,770	33.15%	9
TOTAL		\$23,588,231		\$7,820,619	\$2,180,770		

The cash flow method is being used, which is based on a minimum twenty-year projection of the Association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the Association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the Association by the end of each fiscal year.

The remaining life of a component can be estimated by subtracting the current age of the component from the useful life of such component. Each year, the Association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest which will be earned during the estimated useful life of the asset.

2) The Marriott Resorts Hospitality Corporation ("MRHC") has been delegated the authority to provide all services incidental to the management of the Condominium, including Owner Services and all property operations. In connection with the performance of those services, all operating expenses will be charged to and paid by the Association to MRHC, including some that may be incurred through affiliates of MRHC. Certain of the operating expenses charged to and paid by the Association to MRHC may reflect economies of scale associated with the number of projects managed by MRHC and the affiliated relationship between MRHC and the developer and the fact that MRHC subcontracts certain services to the operator of the adjacent hotel. The amounts charged for such operating expenses may reflect pricing that is lower than what equivalent services would cost if charged on an independent case-by-case basis.

3) Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2017, including but not limited to: (i) funds received from MVC Trust Owners Association, Inc. to account for housekeeping expenses necessitated by nightly use of accommodations by MVC Trust members, and (ii) fees paid to the Association by transient guests who voluntarily elect to receive a daily room cleaning.

ASSOCIATION OF APARTMENT OWNERS OF MARRIOTT'S KAUAI RESORT AND BEACH CLUB
2017 Estimated Operating Budget Notes
For The Period Beginning January 01, 2017 And Ending December 31, 2017

Notes to the 2017 Estimated Operating Budget

This budget has been prepared on an accrual basis and is allocated among Apartment Owners based on fair and equitable methodology adopted by the Managing Agent and approved by the Board. Because expenses associated with Limited Common Elements ("LCE's") are assessed against only the Apartments to which the LCE's are appurtenant, each Apartment's assessment cannot be computed simply by multiplying its percentage Common Interest by the total annual budget. Rather, the total operating and reserve fees shown in the second through fifth columns have been derived from allocation formulas for each line item. The Total Maintenance Fees billed from the second column are assessed to Owners of vacation ownership interests in Timeshare Apartments. The Total Maintenance Fees billed from the fourth and fifth columns are payable by the owners of the Commercial Apartments noted in such columns. The Total Maintenance Fees billed from the third column are payable by the owner of the Hotel Room Apartments.

Certain Apartments located within the condominium project are designated as Commercial Apartments. The Association allocates common expenses to the owners of the Commercial Apartments based on the common interest appurtenant to each Commercial Apartment. The column of the Assessment Budget labeled "MKORI Commercial Apartments" includes the costs allocated to Commercial Apartments known as "Executive A" and "Executive B" and the column of the Assessment Budget labeled "MORI Commercial Apartment" includes the costs allocated to the Commercial Apartment known as the "Penthouse Commercial Apartment."

1) Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components, which the Association is obligated to maintain.

The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 01, 2017	Contribution For 2017	% Of Fund Balance Over Replacement Costs	Age In Years As Of January 01, 2017
Roof Replacement	20	\$4,042,268	19	(\$2,886,698)	\$2,792,307	(71.41%)	1
Furniture and Fixtures	19	\$30,537,853	6	\$5,604,117	(\$120,643)	18.35%	13
Building Painting	27	\$3,478,548	2	\$1,789,153	(\$24,523)	51.43%	25
Pavement Resurfacing	20	\$2,545,430	11	\$2,218,215	(\$864)	87.15%	9
Common Area Rehabilitation	8	\$10,386,077	4	\$6,018,509	(\$31,699)	57.95%	4
TOTAL		\$50,990,176		\$12,743,296	\$2,614,579		

The cash flow method is being used, which is based on a minimum twenty-year projection of the Association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the Association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the Association by the end of each fiscal year.

The remaining life of a component can be estimated by subtracting the current age of the component from the useful life of such component. Each year, the Association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest which will be earned during the estimated useful life of the asset.

2) The Rice Parcel Sublease was assigned to HPTMI Hawaii, Inc. on June 15, 2001 and was accepted by WM Hyde Rice, Ltd at that time. The main lease was held in the name of MORI Golf (Kauai) LLC according to the Third Amendment and was assigned to 2014 Kauai Lagoons Golf, LLC on 12/31/2014. The Rice Parcel Sublease allows the Association to utilize the associate and guest parking lots. The lease expires on March 30, 2060.

Frequently Asked Maintenance Fee Questions

Q. What are maintenance fees and who determines them?

A. Maintenance fees are those funds collected by your Association to cover the cost of operating the resort, future maintenance and refurbishment. Maintenance fees are approved by your Association's Board of Directors and includes:

Operating Fees: These funds cover the cost of all resort expenses incurred on an annual basis, e.g. electricity, phone, maintenance and housekeeping.

Reserve Fee: This is planned funding of capital replacement expenditures for replacement of large items, e.g. refrigerators, roof repairs and villa furnishings.

Property Tax: These taxes are assessed by the county in which the resort is located and billed to each owner through the maintenance fee.

Q. When are maintenance fees due?

A. Please refer to your maintenance fee invoice for your exact due date. Please remember to remit payments on time. Interest and late charges will be assessed on late, unpaid balances according to your Association's guidelines.

Q. What are my maintenance fee payment options?

Option 1: You may pay 24 hours a day, 7 days per week at www.MarriottVacationClub.com

Option 2: Mail your check payable to Marriott Resorts Hospitality Corporation (with or without your maintenance fee coupon) to:

Marriott Resorts Hospitality Corporation
P.O. Box 382056
Pittsburgh, PA 15250-8056
(Please include your owner number on your check)

Option 3: Contact a Financial Services Representative at 1-800-845-4226 or 1-801-828-1046.

* Deliveries that require a signature (e.g. certified, registered, or overnight) should be mailed to:

Marriott Resorts Hospitality Corporation
Attn: 382056
500 Ross Street 154-0460
Pittsburgh, PA 15250-8056